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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000280

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SUBJECT: CHAIRMAN OF COR FINANCE COMMITTEE SPEAKS WITH
USAID AND IFES

Classified By: E.O. 12958

11. (C) SUMMARY: A 19 January 2009 impromptu dinner invitation extended to USAID and IFES with Mr. Ayad Samarai, Chairman of the Council of Representatives (COR) Finance Committee, provided a window into what he is thinking on a broad range of subjects as he contests the position of Speaker at the COR. Included in the discussion were the fragile state of the economy and need for government to take a more strategic approach, the need for sweeping legislative changes leading to a more suitable legal environment, the future of the COR and its committee system, relations between branches of government, the position of the Sunni block, elections, and past and future US-Iraq relations. END SUMMARY

12. (C) Budget versus Plan. The conversation began with the budget, a process and document that Mr. Samarai has grown increasingly critical of, as it represents a lost opportunity to use public spending and investment in ways that would grow the economy, provide opportunities for private investment and entrepreneurship, and improve the lives of Iraqis by providing jobs and income. He claimed that the government still has not submitted a final proposal to the COR for FY 09 as it continues to dither over sectoral allocations as well as the overall size of the spending plan and its revenue base. He claimed that neither the executive nor the legislature has the capacity to craft an effective spending plan based on realistic revenue projections. According to him, there is a complete absence of an overarching plan or set of objectives and priorities against which such spending could be justified, no sense of what is important, nor systems to measure progress and accountability when it comes to the use of public funds. Among the many unresolved issues in Samarai's view is the funding of the intelligence service, something so difficult that officials from the Ministry of Finance (MOF) asked the COR to help resolve. He stated that the budget should not be voted on until a new speaker is elected as it is too important and requires firm leadership in the speaker's chair to ensure that it receives the necessary scrutiny and that the government answers the COR's questions and concerns.

13. (C) Role and Function of the Government. He is concerned about the growth in the size of government and the fact that its relationship to the private sector and civil society remains ill defined. He does not believe that government should be the single largest source of employment nor that it can, alone, solve the many difficulties that Iraq faces today and in the future. He blames the Sadaam legacy for a mentality that government provided a livelihood for everyone in return for the loyalty of its citizens. He believes that the role and function of government should be addressed more directly if a mixed economy and modern society is to be

achieved.

14. (C) Decentralization and the Provinces. He is very aware of the plans, strategies and investment proposals coming from the provinces. He agrees that they are better situated to identify needs and opportunities but he notes that the capacity to govern and administer is weak in the governorates and the role of the central government remains ill defined and often at odds with what the provinces wish to do. We spoke about Anbar and its plans to invest in electrical generation, which ran into considerable opposition with Baghdad; the fact that the provinces are depending on the central government to invest in key sectors such as agriculture; and the central government's failure to deliver in this as well as the central government's failure to deliver in this as well as other social service sectors. He believes that investment is going to have to shift from social services to more economically productive uses of capital and that the current imbalance, while understandable, cannot be sustained. He stated that there is currently no effective mechanism to reconcile the public spending demands of the provinces, which tend to favor social services with those of the central government which should be looking more at national priorities aimed at finding a way for Iraq to fit into the larger global economy.

15. (C) Lack of Capacity and Weaknesses in Government and the Private Sector. Mr. Samarai, a trained technical engineer, admitted that Iraq lacks the

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human resources needed to manage a modern society. There are not enough well-trained and experienced financial and economic specialists, social and political scientists, nor sufficient numbers of people with technical/trade backgrounds because these jobs are viewed as undesirable. He believes that in the short term, this capacity needs to be filled by foreign advisors while the universities produce the necessary graduates and the government starts hiring people based on qualifications rather than personal relationships. He is not sure how the necessary capacities will be developed or how Iraqi institutions of higher education can better meet the educational needs of the country.

16. (C) Legal Framework. Mr. Samarai cited antiquated laws, conflicting and vague provisions, and a general lack of appreciation/understanding of the role of law in society as the most significant obstacles to development in Iraq. He claimed that there simply are no experts available to review and revisit the current body of law nor is there the political will or demand to build a sounder legal basis for a modern society. He cited several examples of laws such as the 1926 Banking Law and the more recent Law on Governorates not Incorporated into Regions (AKA: Provincial Powers Law), as well as the Provincial Elections Law and discussed their failings. He seems to believe that better formulation and drafting is needed. When questioned about the prospects for instituting processes whereby laws and their implementation are periodically reviewed by COR committees and revised, as is done in more mature democracies, Mr. Samarai said that the capacity to do this is simply not there but he did not dismiss as part of its oversight function. He placed more stock in getting laws right during the drafting stage if possible.

17. (C) Challenges Facing the COR. The COR has even less technical capacity than the weak executive branch when it

comes to carrying out its roles and responsibilities. It has over 800 staff (mostly unqualified and politically hired), its members are inexperienced and lack technical qualifications in many key areas of public policy. He is very critical of the way the COR has been led by the previous speaker and believes that things need to be done very differently in the future. The fact that the next speaker will barely have 10 months to do anything has not escaped him and he is clearly thinking about what can be accomplished during the remaining life of this parliament.

18. (C) U.S. Assistance. Mr. Samarai acknowledges the assistance heretofore provided by the U.S. Government (USG) and concluded that some is far more helpful than others. He cited the USAID-funded assistance which until recently was provided by Bearing Point to his committee as very useful although he is mystified as to why it ended when it did. (Comment: The USAID Economic Governance Project and its funding is coming to an end. The component assisting the Council of Representatives ended as part of the phase out of the activity. End Comment) He believes that future assistance should be discussed between the two governments and be documented through some agreement or protocol. He is aware that the Members Affairs and Parliamentary Development Committee chaired by Dr. Hussam al Azawi, is reviewing such an agreement with USAID and supports this approach because it has involved consultations with the COR, will provide USG funded expertise by non-USG employees, and clearly states the objectives and responsibilities of the two parties. The fact that the USG has been providing assistance to parties. The fact that the USG has been providing assistance for several years without such an agreement is not something that he believes should continue.

19. (C) Elections. He does not believe that IHEC has performed as well as it could have when it comes to the organization of the governorate elections. Interestingly, he did not accept the possibility that delayed action and ambiguous provisions by the COR on the underlying legislation and the complex political setting might be at fault. He cited problems with the open list and candidates' ability to campaign effectively, but otherwise was not specific as this criticism. It would appear that IHEC's ability to reach out to the political parties might be at fault, more a matter of public relations and confidence building than anything else. He talked about

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the need for a referendum on the SOFA and that it was simply a provision added to satisfy domestic political concerns as the COR itself goes into an election cycle later this year. He said that it could very well turn out that as July approaches, these concerns fall away and the government is left to work out the SOFA and the future role of U.S. Forces in Iraq without putting the matter to a public referendum. He had not focused on the many electoral events scheduled for this year including the district and sub-district council elections. He is mindful, however, of COR elections at the end of the year and was unsure if the COR would change the existing law governing the electoral process for the COR or simply leave the closed list system intact.

110. (C) Comment: Anticipating his ascension to the Speakership of the COR, the Finance Committee Chairman clearly wanted to demonstrate his grasp of a broad range of issues and statesmanlike demeanor. With the COR now in recess until early February, we will see if his campaign

bears fruit. End Comment

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